

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2264 - SB 2496**

February 14, 2018

**SUMMARY OF BILL:** Authorizes counties and municipalities with local education agencies (LEAs) with growth in average daily membership (ADM) of 250 students per year between the 2013-14 school year and the 2017-18 school year to receive two percent of actual state sales tax collections derived and remitted from those respective jurisdictions in lieu of the state shared allocation of state sales tax they would receive under current law based on population.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$20,956,600**

**Increase Local Revenue – \$20,956,600/Permissive**

Assumptions:

- The state sales tax rate is seven percent, with 29.0141 percent allocated to the General Fund, 65.0970 percent of earmarked for educational purposes, and 4.603 percent appropriated to incorporated municipalities.
- Counties get no portion of the collected state sales and use tax under current law.
- There are four counties (Montgomery, Rutherford, Williamson, and Wilson) that will qualify under the provisions of this legislation.
- No municipalities will qualify pursuant to the ADM qualifications proposed in this legislation.
- Any action taken on this legislation is at the behest of a resolution by the counties listed above and is therefore permissive.
- Since counties do not currently receive a share of the state sales tax collections, they will not have to choose between their current allocation and this proposed alternative funding source; as a result, they will accept the two percent of collections occurring within their counties as proposed.
- Any portion allocated under this legislation is considered General Fund revenue.
- This legislation caps each allocation at \$7,000,000 per year.
- The following table lists the FY16-17 state sales tax collections remitted to the state from the jurisdictions of the relevant counties:

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FY16-17 Collections	Montgomery	Rutherford	Williamson	Wilson
\$	\$180,445,249	\$360,352,352	\$359,002,739	\$147,948,529

- Assuming Fiscal Review's forecasted rate of collections growth in state sales and use tax collections of 2.08 percent in FY17-18, and 3.76 percent in FY18-19, the forecasted collections in these counties are represented in the following table:

FY18-19 Collections	Montgomery	Rutherford	Williamson	Wilson
\$	\$191,124,374	\$381,678,754	\$380,249,268	\$156,704,431

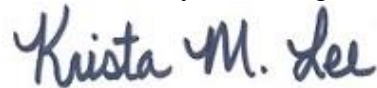
- To the extent that all the relevant local governments identified pass a resolution to receive two percent of these collections, each county will receive additional revenue represented in the following table below:

FY18-19 Revenue to Counties	Montgomery	Rutherford	Williamson	Wilson	Total
\$	\$3,822,487	\$7,000,000	\$7,000,000	\$3,134,089	\$20,956,576

- This results in a recurring decrease in state revenue of \$20,956,576 as well as a permissive recurring increase in local revenue of \$20,956,576.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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